

**HSBC AMANAH MALAYSIA BERHAD**  
**(Company No. 200801006421 (807705-X))**  
**(Incorporated in Malaysia)**

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2022**

**Domiciled in Malaysia**  
**Registered Office:**  
**Level 21, Menara IQ**  
**Lingkaran TRX**  
**55188 Tun Razak Exchange**  
**Kuala Lumpur**

**HSBC AMANAH MALAYSIA BERHAD**  
**(Company No. 200801006421 (807705-X))**  
**(Incorporated in Malaysia)**

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022**

	<i>Note</i>	<b>30 Sep 2022</b> RM'000	31 Dec 2021 RM'000
<b>Assets</b>			
Cash and short-term funds	11	5,738,709	4,075,349
Deposits and placements with banks and other financial institutions	12	323,172	-
Financial investments at fair value through other comprehensive income (FVOCI)	13	1,554,119	2,252,951
Financial investments at amortised cost	14	60,191	-
Financing and advances	15	13,364,559	12,856,066
Derivative financial assets	18	219,535	92,858
Other assets	19	67,867	74,424
Statutory deposits with Bank Negara Malaysia	20	18,361	19,861
Equipment		6,300	6,905
Tax recoverable		-	13,260
Deferred tax assets		55,711	49,346
<b>Total assets</b>		<b>21,408,524</b>	<b>19,441,020</b>
<b>Liabilities</b>			
Deposits from customers	21	13,551,208	12,791,702
Deposits and placements from banks and other financial institutions	22	1,823,630	1,784,862
Structured liabilities designated at fair value through profit or loss (FVTPL)	23	1,998,611	1,188,099
Bills payable		22,405	12,867
Derivative financial liabilities	18	282,064	67,615
Other liabilities	24	494,335	469,724
Provision for taxation		50,585	-
Multi-Currency Sukuk Programme	25	506,473	515,333
Subordinated Commodity Murabahah Financing	26	-	600,777
<b>Total liabilities</b>		<b>18,729,311</b>	<b>17,430,979</b>
<b>Equity</b>			
Share capital and other equity	27	1,161,063	660,000
Reserves		1,518,150	1,350,041
<b>Total equity attributable to owner of the Bank</b>		<b>2,679,213</b>	<b>2,010,041</b>
<b>Total liabilities and equity</b>		<b>21,408,524</b>	<b>19,441,020</b>
Restricted investment accounts <sup>[1]</sup>		3,867,656	3,799,016
Total Islamic Banking asset <sup>[1]</sup>		25,276,180	23,240,036
<b>Commitments and contingencies</b>	34	<b>32,968,768</b>	<b>27,296,398</b>

<sup>[1]</sup> The disclosure is in accordance with the requirements of Bank Negara Malaysia's Guideline on Financial Reporting for Islamic Banking Institutions dated 29 April 2022.

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2021 and the accompanying explanatory notes on pages 8 to 33 attached to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements were approved by the Board of Directors on 25 October 2022.*

**HSBC AMANAH MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022**

	Note	Third Quarter		Nine Months Ended	
		30 Sep 2022 RM'000	30 Sep 2021 RM'000	30 Sep 2022 RM'000	30 Sep 2021 RM'000
Income derived from investment of depositors' funds and others	28	<b>183,637</b>	123,493	<b>486,214</b>	408,774
Income derived from investment of shareholder's funds	29	<b>35,577</b>	32,537	<b>111,786</b>	108,463
Impairment write-back/(provision)	30	<b>4,611</b>	(70,861)	<b>(9,240)</b>	(235,981)
Total distributable income		<b>223,825</b>	85,169	<b>588,760</b>	281,256
Income attributable to depositors	31	<b>(55,093)</b>	(42,161)	<b>(140,464)</b>	(130,816)
Total net income		<b>168,732</b>	43,008	<b>448,296</b>	150,440
Operating expenses	32	<b>(57,531)</b>	(61,586)	<b>(177,764)</b>	(184,293)
Profit/(Loss) before tax		<b>111,201</b>	(18,578)	<b>270,532</b>	(33,853)
(Tax expense)/Tax write-back		<b>(32,637)</b>	5,026	<b>(81,982)</b>	7,960
<b>Profit/(Loss) for the financial period</b>		<b>78,564</b>	(13,552)	<b>188,550</b>	(25,893)
Profit/(Loss) attributable to the owner of the Bank		<b>78,564</b>	(13,552)	<b>188,550</b>	(25,893)
Basic earnings/(loss) per RM0.50 ordinary share		<b>78.6 sen</b>	(13.6 sen)	<b>188.6 sen</b>	(25.9 sen)
Dividends per RM0.50 ordinary share (net) - final dividend paid in respect of prior period		-	-	-	50.0 sen

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**HSBC AMANAH MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022**

	<b>Third Quarter</b>		<b>Nine Months Ended</b>	
	<b>30 Sep 2022</b>	<b>30 Sep 2021</b>	<b>30 Sep 2022</b>	<b>30 Sep 2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Profit/(Loss) for the financial period</b>	<b>78,564</b>	<b>(13,552)</b>	<b>188,550</b>	<b>(25,893)</b>
<b>Other comprehensive income/(expense)</b>				
<b><i>Items that will not be reclassified to profit or loss</i></b>				
Own credit reserves:				
Change in fair value	<b>(12,065)</b>	(2,142)	<b>(14,214)</b>	(1,059)
Income tax effect	<b>2,895</b>	514	<b>3,411</b>	254
<b><i>Items that will subsequently be reclassified to profit or loss when specific conditions are met:</i></b>				
Fair value through other comprehensive income reserve:				
Change in fair value	<b>1,593</b>	(4,424)	<b>(12,307)</b>	(9,108)
Net amount transferred from profit or loss	-	-	-	(2,554)
Impairment write-back/(charges)	<b>40</b>	136	<b>(115)</b>	108
Income tax effect	<b>(382)</b>	1,062	<b>2,954</b>	2,799
Other comprehensive expense for the financial period, net of income tax	<b>(7,919)</b>	(4,854)	<b>(20,271)</b>	(9,560)
<b>Total comprehensive income/(expense) attributable to the owner of the Bank</b>	<b>70,645</b>	(18,406)	<b>168,279</b>	(35,453)

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**HSBC AMANAH MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022**

	<i>Non-distributable</i>					<i>Distributable</i>		<i>Total</i>
	<i>Share capital</i>	<i>Other equity instrument</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2022</b>								
<b>Balance at 1 January</b>	<b>660,000</b>	<b>-</b>	<b>(2,851)</b>	<b>(2,193)</b>	<b>511</b>	<b>46,800</b>	<b>1,307,774</b>	<b>2,010,041</b>
Profit for the financial period	-	-	-	-	-	-	<b>188,550</b>	<b>188,550</b>
<b>Other comprehensive income, net of tax</b>								
FVOCI reserve/Own Credit reserve								
Net change in fair value	-	-	<b>(9,353)</b>	<b>(10,803)</b>	-	-	-	<b>(20,156)</b>
Impairment charges	-	-	<b>(115)</b>	-	-	-	-	<b>(115)</b>
<i>Total other comprehensive expense</i>	-	-	<b>(9,468)</b>	<b>(10,803)</b>	-	-	-	<b>(20,271)</b>
<b>Total comprehensive (expense)/income for the financial period</b>	-	-	<b>(9,468)</b>	<b>(10,803)</b>	-	-	<b>188,550</b>	<b>168,279</b>
Net change in regulatory reserves	-	-	-	-	-	<b>16,100</b>	<b>(16,100)</b>	-
<b>Transactions with the owner, recorded directly in equity</b>								
Share based payment transactions	-	-	-	-	<b>(207)</b>	-	<b>37</b>	<b>(170)</b>
Other equity instrument issued <sup>[1]</sup>	-	<b>501,063</b>	-	-	-	-	-	<b>501,063</b>
<b>Balance at 30 September</b>	<b>660,000</b>	<b>501,063</b>	<b>(12,319)</b>	<b>(12,996)</b>	<b>304</b>	<b>62,900</b>	<b>1,480,261</b>	<b>2,679,213</b>

[1] On 19 August 2022, the Bank had issued RM501.0 million Additional Tier 1 USD Wakalah Financing Facility. Details of the issuance are set out in Note 27 to the financial statements.

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2021 and the accompanying explanatory notes on pages 8 to 33 attached to the unaudited condensed interim financial statements.*

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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022 (Cont'd)**

	<i>Non-distributable</i>				<i>Distributable</i>		<i>Total</i>
	<i>Share capital</i>	<i>FVOCI reserve</i>	<i>Own credit reserve</i>	<i>Capital contribution reserve</i>	<i>Regulatory reserve</i>	<i>Retained profits</i>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2021</b>							
<b>Balance at 1 January</b>	660,000	11,868	(1,123)	777	6,100	1,350,035	2,027,657
Loss for the financial period	-	-	-	-	-	(25,893)	(25,893)
<b>Other comprehensive income, net of tax</b>							
FVOCI reserve/Own Credit reserve							
Net change in fair value	-	(6,922)	(805)	-	-	-	(7,727)
Net amount transferred to profit or loss	-	(1,941)	-	-	-	-	(1,941)
Impairment written-back	-	108	-	-	-	-	108
<i>Total other comprehensive expense</i>	-	(8,755)	(805)	-	-	-	(9,560)
<b>Total comprehensive expense for the financial period</b>	-	(8,755)	(805)	-	-	(25,893)	(35,453)
Net change in regulatory reserves	-	-	-	-	35,500	(35,500)	-
<b>Transactions with the owner, recorded directly in equity</b>							
Share based payment transactions	-	-	-	(244)	-	59	(185)
Dividends paid to owner - 2020 final	-	-	-	-	-	(50,000)	(50,000)
<b>Balance at 30 September</b>	<u>660,000</u>	<u>3,113</u>	<u>(1,928)</u>	<u>533</u>	<u>41,600</u>	<u>1,238,701</u>	<u>1,942,019</u>

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**HSBC AMANAH MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED CASH FLOW STATEMENT**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022**

	<b>30 Sep 2022</b>	30 Sep 2021
	<b>RM'000</b>	RM'000
Profit/(Loss) for the financial period	<b>270,532</b>	(33,853)
Adjustments for non-operating and non-cash items	<b>38,433</b>	339,760
Operating profit before working capital changes	<b>308,965</b>	305,907
Changes in working capital:		
Net changes in operating assets	<b>(1,050,857)</b>	751,727
Net changes in operating liabilities	<b>1,933,677</b>	(433,473)
Income tax paid	<b>(18,138)</b>	(17,850)
<b>Net cash generated from operating activities</b>	<b>1,173,647</b>	606,311
<b>Net cash generated from/(used in) investing activities</b>	<b>606,086</b>	(863,872)
<b>Net cash used in financing activities</b>	<b>(116,373)</b>	(63,826)
	<b>489,713</b>	(927,698)
<b>Net changes in cash and cash equivalents</b>	<b>1,663,360</b>	(321,387)
<b>Cash and cash equivalents at 1 January</b>	<b>4,075,349</b>	3,251,883
<b>Cash and cash equivalents at 30 September</b>	<b>5,738,709</b>	2,930,496
<b>Analysis of cash and cash equivalents</b>		
Cash and short-term funds	<b>5,738,709</b>	2,930,496

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**UNAUDITED CONDENSED CASH FLOW STATEMENT**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022 (Cont'd)**

**Changes in liabilities arising from financing activities**

	At 1 January RM'000	Cash outflow RM'000	Foreign exchange adjustment RM'000	Fair value movement RM'000	Profit accrual RM'000	At 30 September RM'000
<b>2022</b>						
Multi-Currency Sukuk Programme	515,333	-	-	(8,860)	-	506,473
Subordinated Commodity Murabahah Financing	600,777	(600,777)	-	-	-	-
Other Liabilities of which:						
Profits paid on Multi-Currency Sukuk Programme	5,242	(4,389)	-	-	9,750	10,603
Profits paid on Subordinated Commodity Murabahah Financing	143	(12,270)	-	-	12,127	-
	<b>1,121,495</b>	<b>(617,436)</b>	<b>-</b>	<b>(8,860)</b>	<b>21,877</b>	<b>517,076</b>
<b>2021</b>						
Multi-Currency Sukuk Programme	523,841	-	-	(6,202)	-	517,639
Subordinated Commodity Murabahah Financing	578,700	-	24,634	-	-	603,334
Other Liabilities of which:						
Profits paid on Multi-Currency Sukuk Programme	5,360	(3,606)	-	-	8,967	10,721
Profits paid on Subordinated Commodity Murabahah Financing	118	(10,220)	-	-	10,203	101
	<b>1,108,019</b>	<b>(13,826)</b>	<b>24,634</b>	<b>(6,202)</b>	<b>19,170</b>	<b>1,131,795</b>

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**HSBC AMANAH MALAYSIA BERHAD**  
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## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 General Information**

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HSBC Amanah Malaysia Berhad (the Bank) is a licensed Islamic Bank under the Islamic Financial Services Act, 2013. The principal activities of the Bank are Islamic banking and related financial services.

There were no significant changes in these activities during the financial period.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Bank is located at Level 21, Menara IQ, Lingkaran TRX, 55188 Tun Razak Exchange, Kuala Lumpur, Malaysia.

The immediate parent bank and ultimate holding company during the financial period are HSBC Bank Malaysia Berhad (HBMY) and HSBC Holdings Plc, respectively.

The unaudited condensed interim financial statements were approved and authorised for issue by the Board of Directors on 25 October 2022.

### **2 Basis of Preparation**

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The unaudited condensed interim financial statements for the financial period ended 30 September 2022 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (MFRS) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and Bank Negara Malaysia (BNM) requirements on Shariah related disclosures.

The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2021. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Bank since the financial period ended 31 December 2021.

#### **(i) Standards and amendments to published standards that are effective and applicable to the Bank**

The accounting policies, presentation, significant estimates and judgements adopted by the Bank for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2021, except for the adoption of the following Amendments to MFRSs which are effective during the current financial period:

- Amendments to MFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021"
- Amendments to MFRS 116 "Proceeds before Intended Use"
- Amendments to MFRS 3 "Reference to the Conceptual Framework"
- Annual Improvements to MFRSs 2018 – 2020 Cycle for annual periods beginning on or after 1 January 2022 as follows:
  - Amendment to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives
  - Amendment to MFRS 9 Financial Instruments: Fees in the '10 per cent' Test for Derecognition of Financial Liabilities
- Amendments to MFRS 137 "Onerous Contracts - Cost of Fulfilling a Contract"

The adoption of the above Amendments to MFRSs does not give rise to any material financial impact to the Bank.

#### **(ii) Standards and amendments to published standards that have been issued but not yet effective**

A number of new standards and amendments to standards and interpretations have been issued that are applicable to the Bank but are not yet effective.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 2 Basis of Preparation (Cont'd)

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#### (ii) Standards and amendments to published standards that have been issued but not yet effective (Cont'd)

Effective for annual periods commencing on or after 1 January 2023

- Amendments to MFRS 101 "Classification of Liabilities as Current or Non-current"
- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates
- Amendments MFRS 112 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

None of the above is expected to have a significant effect on the financial statements of the Bank.

### 3 Functional and Presentation of Currency

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These financial statements are presented in Ringgit Malaysia (RM), which is the Bank's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

### 4 Auditors' Report On Preceding Annual Financial Statements

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The audit report on the audited financial statements for the financial year ended 31 December 2021 was not subject to any qualification.

### 5 Seasonality or Cyclical Factors

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The business operations of the Bank are not subject to material seasonal or cyclical fluctuations.

### 6 Unusual Items Due to Their Nature, Size or Incidence

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There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Bank for the financial period ended 30 September 2022.

### 7 Changes in Estimates

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There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Bank for the financial period ended 30 September 2022.

### 8 Debt and Equity Securities

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On 19 August 2022, the Bank had:

- (a) issued USD Wakalah Financing Facility (the Facility) equivalent to RM501 million to its immediate holding company, HSBC Bank Malaysia Berhad (HBMY). The Facility qualifies as Additional Tier 1 capital of the Bank as per the Capital Adequacy Framework for Islamic Banks (Capital Components) issued by Bank Negara Malaysia (BNM). Further details are disclosed in Note 27.
- (b) redeemed two tranches of existing Basel III compliant Tier 2 Subordinated Commodity Murabahah Financing of USD equivalent of RM250 million each from HBMY.

There were no other issuances, cancellations, repurchases, resale or repayment of other debt or equity securities during the financial period ended 30 September 2022.

### 9 Dividend

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No interim dividend was declared nor paid for the financial period ended 30 September 2022.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 10 Significant and Subsequent Events

There were no material events subsequent to the date of the statement of financial position that require disclosure or adjustments to the unaudited condensed interim financial statements.

### 11 Cash and Short-Term Funds

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Cash and balances with banks and other financial institutions	<b>302,790</b>	377,259
Money at call and interbank placements maturing within one month	<b>5,435,919</b>	3,698,090
	<b>5,738,709</b>	4,075,349

Money at call and interbank placements maturing within one month is within Stage 1 allocation (12-months ECL) with RM3,000 impairment allowance as at 30 September 2022 (31 December 2021: RM1,000).

### 12 Deposits and Placements with Banks and Other Financial Institutions

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Licensed banks	<b>300,000</b>	-
Bank Negara Malaysia	<b>23,172</b>	-
	<b>323,172</b>	-

### 13 Financial Investments at Fair Value through Other Comprehensive Income (FVOCI)

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Money market instruments:		
Malaysian Government Islamic Sukuk	<b>1,554,119</b>	2,252,951

Financial investments at FVOCI are within Stage 1 allocation (12 -months ECL) with RM164,000 impairment allowance as at 30 September 2022 (31 December 2021: RM280,000). The carrying amount of financial investments at FVOCI is equivalent to their fair value. The impairment allowance is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

The maturity structure of money market instruments held as FVOCI is as follows:

Maturing within one year	<b>922,555</b>	836,139
More than one year to three years	<b>631,564</b>	1,416,812
	<b>1,554,119</b>	2,252,951

### 14 Financial Investments at Amortised Cost

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Money market instruments:		
Malaysian Government Islamic Sukuk	<b>60,191</b>	-

Financial investments at amortised cost are within Stage 1 allocation (12-months ECL) with nil impairment allowance for the Bank as at 30 September 2022 (31 December 2021: nil).

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**15 Financing and Advances**

**(i) By type and Shariah contracts**

At amortised cost	Sale-based	Lease-based	Equity-based	Ujrah	Total
	contracts	contracts	contracts		
	Commodity	Ijarah Thumma	Diminishing		
	Murabahah	Al-Bai	Musharakah		
30 Sep 2022	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line-i	88,277	-	-	-	88,277
Term financing:					
House financing	-	-	3,696,454	-	3,696,454
Hire purchase receivables	-	217,721	-	-	217,721
Syndicated term financing	1,191,585	-	-	-	1,191,585
Other term financing	3,175,088	-	803,638	-	3,978,726
Trust receipts	807,635	-	-	-	807,635
Claims on customers under acceptance credits	198,479	-	-	-	198,479
Bills receivables	902,742	-	-	-	902,742
Staff financing-i	1,354	-	368	-	1,722
Credit cards-i	-	-	-	1,114,305	1,114,305
Revolving financing	1,695,674	-	-	-	1,695,674
Other financing	-	-	2,694	-	2,694
Gross financing and advances	<b>8,060,834</b>	<b>217,721</b>	<b>4,503,154</b>	<b>1,114,305</b>	<b>13,896,014</b>
Less: Impairment allowance					<b>(531,455)</b>
Total net financing and advances					<b>13,364,559</b>

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**15 Financing and Advances (Cont'd)**

**(i) By type and Shariah contracts (Cont'd)**

	Sale-based contracts	Lease-based contracts	Equity-based contracts	Ujrah	Total
	Commodity Murabahah RM'000	Ijarah Thumma Al-Bai RM'000	Diminishing Musharakah RM'000	RM'000	RM'000
31 Dec 2021					
Cash line-i	70,093	-	-	-	70,093
Term financing:					
House financing	-	-	3,857,513	-	3,857,513
Hire purchase receivables	-	210,548	-	-	210,548
Syndicated term financing	1,022,242	-	-	-	1,022,242
Other term financing	2,342,879	-	869,012	-	3,211,891
Trust receipts	457,790	-	-	-	457,790
Claims on customers under acceptance credits	198,498	-	-	-	198,498
Bills receivables	1,147,722	-	-	-	1,147,722
Staff financing-i	1,104	-	383	-	1,487
Credit cards-i	-	-	-	1,073,822	1,073,822
Revolving financing	2,124,126	-	-	-	2,124,126
Other financing	-	-	3,716	-	3,716
Gross financing and advances	<u>7,364,454</u>	<u>210,548</u>	<u>4,730,624</u>	<u>1,073,822</u>	<u>13,379,448</u>
Less: Impairment allowance					<u>(523,382)</u>
Total net financing and advances					<u>12,856,066</u>

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**15 Financing and Advances (Cont'd)**

**(ii) By type of customer**

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Domestic non-bank financial institutions	<b>338,406</b>	417,793
Domestic business enterprises:		
Small medium enterprises	<b>1,172,105</b>	1,116,987
Others	<b>5,174,602</b>	4,357,333
Individuals	<b>5,534,241</b>	5,722,624
Other domestic entities	<b>760</b>	2
Foreign entities/individuals	<b>1,675,900</b>	1,764,709
	<b><u>13,896,014</u></b>	<u>13,379,448</u>

**(iii) By profit rate sensitivity**

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Fixed rate:		
Hire purchase receivables	<b>217,721</b>	210,548
Other financing	<b>3,746,340</b>	3,648,621
Variable rate:		
Base Rate/Base Financing Rate plus	<b>4,593,644</b>	4,783,525
Cost-plus	<b>5,338,309</b>	4,736,754
	<b><u>13,896,014</u></b>	<u>13,379,448</u>

**(iv) By residual contractual maturity**

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Maturing within one year	<b>5,267,469</b>	6,234,729
More than one year to three years	<b>2,061,379</b>	590,214
More than three years to five years	<b>1,382,853</b>	1,054,031
Over five years	<b>5,184,313</b>	5,500,474
	<b><u>13,896,014</u></b>	<u>13,379,448</u>

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**15 Financing and Advances (Cont'd)**

**(v) By sector**

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Agriculture, hunting, forestry & fishing	<b>9,871</b>	10,608
Mining and quarrying	<b>142,783</b>	77,899
Manufacturing	<b>1,743,330</b>	1,486,450
Electricity, gas and water	<b>70,980</b>	344,869
Construction	<b>924,276</b>	963,817
Real estate	<b>1,220,340</b>	956,755
Wholesale & retail trade, restaurants & hotels	<b>1,004,057</b>	839,134
Transport, storage and communication	<b>307,659</b>	146,321
Finance, takaful and business services	<b>1,096,397</b>	900,248
Household - Retail	<b>5,993,161</b>	6,195,547
Others	<b>1,383,160</b>	1,457,800
	<b><u>13,896,014</u></b>	<u>13,379,448</u>

**(vi) By purpose**

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Purchase of landed property:		
Residential	<b>3,696,823</b>	3,857,897
Non-residential	<b>667,121</b>	729,179
Purchase of transport vehicles	<b>1,131</b>	878
Purchase of fixed assets excluding land & building	<b>218,660</b>	210,292
Consumption credit	<b>2,115,802</b>	2,140,872
Construction	<b>783,232</b>	700,915
Working capital	<b>5,196,266</b>	4,447,629
Other purpose	<b>1,216,979</b>	1,291,786
	<b><u>13,896,014</u></b>	<u>13,379,448</u>

**(vii) By geographical distribution**

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Northern Region	<b>1,387,627</b>	1,309,927
Southern Region	<b>1,436,389</b>	1,527,607
Central Region	<b>10,764,755</b>	10,225,163
Eastern Region	<b>307,243</b>	316,751
	<b><u>13,896,014</u></b>	<u>13,379,448</u>

Concentration by location for financing and advances is based on the location of the customer. The Northern region consists of the states of Perlis, Kedah, Penang, Perak, Pahang, Kelantan and Terengganu. The Southern region consists of the states of Johor, Malacca and Negeri Sembilan. The Central region consists of the states of Selangor, Federal Territory of Kuala Lumpur and Federal Territory of Putrajaya. The Eastern region consists of the states of Sabah, Sarawak and the Federal Territory of Labuan.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 15 Financing and Advances (Cont'd)

#### (viii) Assets under Management

The details of assets under management in respect of the Syndicated Investment Account Financing (SIAF)/Investment Agency Account (IAA) financing are as below. The exposures and the corresponding risk weighted amount are reported in investors' financial statements.

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Total gross financing and advances	<b>3,853,247</b>	3,802,192
Less: Impairment allowance	<b>(235,016)</b>	(183,710)
Total net financing and advances	<b>3,618,231</b>	3,618,482
<i>Maturity not exceeding one year</i>	<b>139,543</b>	-
<i>Maturity exceeding one year</i>	<b>109,882</b>	180,534
Total commitments and contingencies	<b>249,425</b>	180,534
<b>Total restricted investment accounts</b>	<b>3,867,656</b>	3,799,016
<b>Risk weighted assets (RWA) of restricted investment accounts</b>	<b>2,701,723</b>	2,941,036

The SIAF/IAA arrangement is based on the Wakalah principle where HBMY, solely or together with other financial institutions provide the funds, whilst the assets are managed by the Bank (as the Wakeel or agent). However, in the arrangement, the profits of the underlying assets are recognised by HBMY and the other financial institutions proportionately in relation to the funding provided in the syndication arrangement. At the same time, risks on the financing are also proportionately borne by HBMY and the other financial institutions. Hence, the underlying assets and allowance for impairment arising thereon, if any, are proportionately recognised and accounted for by HBMY and the other financial institutions.

The recognition and derecognition treatments of the above are in accordance to Note 3(f) on financial instruments in the audited financial statements of the Bank for the financial year ended 31 December 2021.

### 16 Impaired Financing

#### (i) Gross carrying amount movement of financing and advances classified as credit impaired:

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Gross carrying amount as at 1 January	<b>1,175,011</b>	606,695
Transfer within stages	<b>52,594</b>	692,116
Net remeasurement due to changes in credit risk	<b>(118,803)</b>	(32,714)
Written-off	<b>(58,559)</b>	(91,086)
<b>Gross carrying amount as at 30 September/31 December</b>	<b>1,050,243</b>	1,175,011

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**16 Impaired Financing (Cont'd)**

**(ii) By contract**

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Ijarah Thumma Al-Bai (AITAB) ( <i>hire purchase</i> )	<b>220</b>	172
Commodity Murabahah ( <i>cost-plus</i> )	<b>549,763</b>	542,650
Diminishing Musharakah ( <i>profit and loss sharing</i> )	<b>483,122</b>	608,253
Ujrah ( <i>fee-based</i> )	<b>17,138</b>	23,936
	<b><u>1,050,243</u></b>	<u>1,175,011</u>

**(iii) By sector**

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Agriculture, hunting, forestry & fishing	<b>73</b>	214
Manufacturing	<b>14,757</b>	25,502
Electricity, gas and water	<b>60,798</b>	-
Construction	<b>140,280</b>	136,921
Real estate	<b>3,671</b>	-
Wholesale & retail trade, restaurants & hotels	<b>5,277</b>	8,211
Transport, storage and communication	<b>1,532</b>	-
Finance, takaful and business services	<b>56,243</b>	53,276
Household - Retail	<b>748,340</b>	933,809
Others	<b>19,272</b>	17,078
	<b><u>1,050,243</u></b>	<u>1,175,011</u>

**(iv) By purpose**

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Purchase of landed property:		
Residential	<b>453,019</b>	571,650
Non-residential	<b>9,330</b>	9,571
Consumption credit	<b>293,918</b>	362,159
Construction	<b>140,281</b>	137,322
Working capital	<b>134,959</b>	77,892
Others	<b>18,736</b>	16,417
	<b><u>1,050,243</u></b>	<u>1,175,011</u>

**(v) By geographical distribution**

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Northern Region	<b>61,394</b>	94,031
Southern Region	<b>81,883</b>	110,511
Central Region	<b>887,911</b>	949,437
Eastern Region	<b>19,055</b>	21,032
	<b><u>1,050,243</u></b>	<u>1,175,011</u>

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**17 Expected credit losses allowance charges (ECL)**

**(i) Movements in ECL allowances for financing and advances**

The following table shows reconciliation from the opening to the closing balance of the ECL allowance for financing and advances:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	12- month ECL not credit impaired RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Balance at 1 January 2022	<b>32,095</b>	<b>86,539</b>	<b>404,748</b>	<b>523,382</b>
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	<b>59,097</b>	<b>(24,876)</b>	<b>(34,221)</b>	-
- Transferred to Stage 2	<b>(3,374)</b>	<b>14,674</b>	<b>(11,300)</b>	-
- Transferred to Stage 3	<b>(126)</b>	<b>(6,422)</b>	<b>6,548</b>	-
New financial assets originated or purchased	<b>11,467</b>	-	-	<b>11,467</b>
Net remeasurement due to changes in credit risk	<b>(62,202)</b>	<b>5,689</b>	<b>99,545</b>	<b>43,032</b>
Asset written-off	-	-	<b>(58,559)</b>	<b>(58,559)</b>
Others	-	-	<b>12,133</b>	<b>12,133</b>
<b>Balance at 30 September 2022</b>	<b>36,957</b>	<b>75,604</b>	<b>418,894</b>	<b>531,455</b>
Balance at 1 January 2021	88,787	75,764	183,764	348,315
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	20,826	(10,099)	(10,727)	-
- Transferred to Stage 2	(23,881)	29,788	(5,907)	-
- Transferred to Stage 3	(3,832)	(28,688)	32,520	-
New financial assets originated or purchased	8,524	-	-	8,524
Net remeasurement due to changes in credit risk	(59,179)	19,774	296,184	256,779
Asset written-off	-	-	(91,086)	(91,086)
Others	850	-	-	850
Balance at 31 December 2021	32,095	86,539	404,748	523,382

The Bank measures the expected credit losses (ECL) using the three-stage approach. The following section explains how significant changes in the gross carrying amount of financing and advances during the year have contributed to the changes in the ECL allowances for the Bank under the expected credit loss model.

The total ECL allowances increased by RM8.1 million compared to the balance at the beginning of the year. This net increase was mainly contributed by remeasurement driven by changes in credit risk (RM43.0 million), new financial assets originated or purchased (RM11.5 million) and others, partly offset by asset written-off (RM58.6 million).

- 12-months ECL not credit impaired (Stage 1) - increased by RM4.9 million primarily due to increase in migration of financings from/to Stage 1, Stage 2 and Stage 3, new financial assets originated or purchased and partially offset by remeasurement driven by changes in credit risk.
- Lifetime ECL not credit-impaired (Stage 2) - decreased by RM10.9 million, primarily due to decrease in migration of financings from/to Stage 1, Stage 2 and Stage 3 and partially offset by remeasurement driven by changes in credit risk.
- Lifetime ECL credit-impaired (Stage 3) - increased by RM14.1 million, primarily due to increase in remeasurement driven by changes in credit risk and others, partially offset by asset written-off and migration of financings from/to Stage 1, Stage 2 and Stage 3.

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**17 Expected credit losses allowance charges (ECL) (Cont'd)**

**(ii) Movements in ECL allowances for financing commitments**

The following table shows reconciliation from the opening to the closing balance of the ECL allowance for financing commitments:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	12- month ECL not credit impaired RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
Balance at 1 January 2022	<b>2,542</b>	<b>6,395</b>	-	<b>8,937</b>
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	<b>85</b>	<b>(85)</b>	-	-
- Transferred to Stage 2	<b>(36)</b>	<b>36</b>	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	<b>339</b>	-	-	<b>339</b>
Net remeasurement due to changes in credit risk	<b>(1,323)</b>	<b>397</b>	-	<b>(926)</b>
Others	<b>58</b>	-	-	<b>58</b>
<b>Balance at 30 September 2022</b>	<b>1,665</b>	<b>6,743</b>	-	<b>8,408</b>
Balance at 1 January 2021	1,509	759	-	2,268
Changes due to financial assets recognised in the opening balance that have:				
- Transferred to Stage 1	26	(26)	-	-
- Transferred to Stage 2	(419)	419	-	-
- Transferred to Stage 3	-	-	-	-
New financial assets originated or purchased	180	-	-	180
Net remeasurement due to changes in credit risk	1,231	5,243	-	6,474
Others	15	-	-	15
Balance at 31 December 2021	<b>2,542</b>	<b>6,395</b>	-	<b>8,937</b>

For retail portfolio, the split of ECL allowance for drawn amount and provision for undrawn commitments is not available. In accordance to MFRS 7 Financial Instruments disclosure, the provisions for the financing and other credit related commitments for retail portfolio are presented together with the allowance for the drawn financing and advances.

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**18 Derivative Financial Instruments**

Details of derivative financial instruments outstanding are as follows:

Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts:

	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	>1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	>1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	>1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
<b>30 Sep 2022</b>												
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	13,339,762	159,213	-	13,498,975	200,200	554	-	200,754	148,222	264	-	148,486
- Swaps	218,888	-	165,223	384,111	8,914	-	1,641	10,555	5,278	-	1,869	7,147
- Options	144,778	-	-	144,778	299	-	-	299	299	-	-	299
Profit rate related contracts												
- Swaps	757,690	1,648,052	-	2,405,742	100	4,720	-	4,820	3,202	8,696	-	11,898
- Options	-	455,880	-	455,880	-	-	-	-	-	49,280	-	49,280
Equity related contracts												
- Options purchased	498,740	1,209,351	-	1,708,091	3,060	47	-	3,107	8,899	56,055	-	64,954
<b>Total</b>	<b>14,959,858</b>	<b>3,472,496</b>	<b>165,223</b>	<b>18,597,577</b>	<b>212,573</b>	<b>5,321</b>	<b>1,641</b>	<b>219,535</b>	<b>165,900</b>	<b>114,295</b>	<b>1,869</b>	<b>282,064</b>

The Bank does not have any hedging instrument as at 30 September 2022.

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**18 Derivative Financial Instruments (Cont'd)**

	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up to 1 Year RM'000	>1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	>1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 1 Year RM'000	>1 - 5 Years RM'000	> 5 Years RM'000	Total RM'000
31 Dec 2021												
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	12,416,009	-	-	12,416,009	53,471	-	-	53,471	47,620	-	-	47,620
- Swaps	242,815	21,146	-	263,961	-	83	-	83	1,255	141	-	1,396
- Options	44,947	-	-	44,947	6	-	-	6	6	-	-	6
Profit rate related contracts												
- Swaps	235,000	1,010,293	-	1,245,293	781	17,292	-	18,073	-	1,658	-	1,658
- Options	-	361,968	-	361,968	-	-	-	-	-	12,775	-	12,775
Equity related contracts												
- Options purchased	243,376	592,619	-	835,995	5,522	15,703	-	21,225	-	4,160	-	4,160
<b>Total</b>	<b>13,182,147</b>	<b>1,986,026</b>	<b>-</b>	<b>15,168,173</b>	<b>59,780</b>	<b>33,078</b>	<b>-</b>	<b>92,858</b>	<b>48,881</b>	<b>18,734</b>	<b>-</b>	<b>67,615</b>

The Bank does not have any hedging instrument as at 31 December 2021.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 19 Other Assets

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Settlements	<b>2,401</b>	2,777
Income receivable	<b>5,246</b>	11,718
Profit receivable	<b>22,882</b>	20,824
Prepayments	<b>1,889</b>	150
Amount due from holding company	<b>2,788</b>	371
Rights of Use (ROU) assets	<b>19,270</b>	21,503
Other receivables	<b>13,391</b>	17,081
	<b>67,867</b>	74,424

### 20 Statutory Deposits with Bank Negara Malaysia

The non-profit bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) and 26(3) of the Central Bank of Malaysia Act 2009, the amounts of which are determined at set percentages of total eligible liabilities.

In 2020, BNM has reduced the Statutory Reserve Requirement (SRR) Ratio requirement from 3% to 2% effective 20 March 2020. BNM also allowed banks to recognise Malaysia Government Securities (MGS) and Malaysian Government Investment Issues (MGII) securities as part of statutory reserve requirement compliance until 31 December 2022.

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**21 Deposits From Customers**

**(i) By type of deposit**

	<b>30 Sep 2022</b>	31 Dec 2021
<b>At amortised cost</b>	<b>RM'000</b>	RM'000
Non-Mudharabah Fund		
Demand deposits		
- Qard	<b>3,478,834</b>	3,318,864
Savings deposits		
- Qard	<b>2,951,908</b>	2,859,605
Term deposits		
- Commodity Murabahah	<b>6,940,319</b>	6,555,915
- Qard *	<b>180,147</b>	57,318
	<b>13,551,208</b>	12,791,702

\* Refers to incidental qard treatment due to timing differences between the deposit placement and the execution of Commodity Murabahah.

The maturity structure of term deposits is as follows:

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Due within six months	<b>5,847,105</b>	5,212,577
More than six months to one year	<b>905,898</b>	973,920
More than one year to three years	<b>311,620</b>	346,719
More than three years to five years	<b>55,843</b>	80,017
	<b>7,120,466</b>	6,613,233

**(ii) By type of customer**

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Government and statutory bodies	<b>17,412</b>	13,524
Business enterprises	<b>3,768,057</b>	3,610,567
Individuals	<b>5,730,239</b>	5,738,029
Foreign entities/individuals	<b>3,290,396</b>	2,810,701
Others	<b>745,104</b>	618,881
	<b>13,551,208</b>	12,791,702

**22 Deposits and Placements from Banks and Other Financial Institutions**

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Non-Mudharabah Fund		
Licensed bank - parent company	<b>1,816,168</b>	1,036,500
Bank Negara Malaysia	<b>7,451</b>	1,866
Other financial institutions	<b>11</b>	746,496
	<b>1,823,630</b>	1,784,862

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 23 Structured Liabilities Designated as Fair Value through profit or loss (FVTPL)

<b>At fair value</b>	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Structured liabilities		
- Tawarruq	<b>1,998,611</b>	<b>1,188,099</b>

Structured liabilities are measured at fair value over the life of the instruments. Structured liabilities are deposits with embedded derivatives, of which both profit paid and fair valuation on the structured liabilities are recorded as net income/expense from financial instruments designated at fair value.

### 24 Other Liabilities

	Note	<b>30 Sep 2022</b>	31 Dec 2021
		<b>RM'000</b>	RM'000
<b>At amortised cost</b>			
Settlements		<b>442</b>	56
Amounts due to holding company		<b>31,128</b>	129,861
Profit payable		<b>63,087</b>	51,425
Deferred income		<b>17,730</b>	15,932
Marginal deposit		<b>45,892</b>	19,452
Accrued expenses		<b>175,334</b>	100,412
Lease liabilities		<b>21,273</b>	23,656
Other creditors	(a)	<b>131,041</b>	119,993
Provision on financing and credit related commitments	(b)	<b>8,408</b>	8,937
		<b>494,335</b>	<b>469,724</b>

(a) Other creditors

Included in other creditors is profit earned from inadvertent Shariah non-compliant activities. The contribution was distributed to the non-governmental organisations approved by the Shariah Committee during the financial period/year. No Shariah non-compliant event has been identified during the financial period.

#### Source and use of charity funds

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Balance at 1 January	<b>1</b>	1
Shariah non-compliant income for the financial period/year <sup>[1]</sup>	<b>4</b>	4
Contribution to non-profit organisations	<b>(3)</b>	(4)
Balance at 30 September/31 December	<b>2</b>	1

<sup>[1]</sup> Income received from transactions in Nostro Accounts.

(b) Refer to Note 17(ii) for movement in provision.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 25 Multi-Currency Sukuk Programme

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Multi-Currency Sukuk Programme (MCSP)	<b>506,473</b>	515,333

The Bank issued the following series of 5-year unsecured Sukuk under its RM3.0 billion MCSP.

	<b>Nominal Value</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Carrying Value</b>	
				<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>			<b>RM'000</b>	RM'000
<u>Issuance under MCSP</u>					
<b>At fair value</b>					
4th series <sup>[1]</sup>	500,000	2 Oct 2018	2 Oct 2023	<b>506,473</b>	515,333

#### Movement in MCSP

	<b>4th series</b>	<b>4th series</b>
	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Balance at 1 January	<b>515,333</b>	523,841
Change in fair value other than from own credit risk	<b>(12,096)</b>	(12,401)
Change in fair value from own credit risk	<b>3,236</b>	3,893
Balance at 30 September/ 31 December	<b>506,473</b>	515,333

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
The cumulative loss from change in fair value due to changes in own credit risk	<b>3,236</b>	3,893

[1] Proceeds from this series are utilised, where appropriate, to finance eligible businesses and projects in accordance with HSBC's internal Sustainable Development Goals (SDG) Bond Framework.

### 26 Subordinated Commodity Murabahah Financing

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Subordinated Commodity Murabahah Financing, at amortised costs		
- First tranche issued on 25 June 2014	-	323,978
- Second tranche issued on 30 June 2015	-	276,799
	<b>-</b>	<b>600,777</b>

The unsecured Subordinated Commodity Murabahah financing comprise of two tranches of Basel III compliant Tier 2 subordinated financing of USD equivalent of RM250 million each from the Bank's immediate holding company, HSBC Bank Malaysia Berhad (HBMY). The tenor for both the Subordinated Commodity Murabahah financing is 10 years from the utilisation date with profit payable quarterly in arrears. Under the Capital Adequacy Framework for Islamic Banks (Capital Components), the par value of Tranche 1 of the subordinated financing are amortised on a straight line basis, with 20% of the par value phased out each year, with effect from 2020 for regulatory capital base purposes.

The Bank had redeemed the Subordinated Commodity Murabahah financing on 19 August 2022.

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**27 Share Capital and Other Equity**

	30 Sep 2022		31 Dec 2021	
	Number of Shares ('000)	RM'000	Number of Shares ('000)	RM'000
<b>Share capital, issued and fully paid</b>				
<u>Ordinary shares of RM0.50 each</u>				
At 1 January / 30 September 2022 / 31 December 2021	<b>100,000</b>	<b>660,000</b>	100,000	660,000
<b>Other equity</b>				
Additional Tier 1 USD Wakalah Financing Facility <sup>[1]</sup>		<b>501,063</b>		-
<b>Total share capital and other equity</b>		<b>1,161,063</b>		<b>660,000</b>

<sup>[1]</sup> On 19 August 2022, the Bank had issued USD Wakalah Financing Facility (the Facility) equivalent to RM501 million to its immediate holding company, HSBC Bank Malaysia Berhad (HBMY). The Facility qualifies as Additional Tier 1 capital of the Bank as per the Capital Adequacy Framework for Islamic Banks (Capital Components) issued by Bank Negara Malaysia (BNM). The Facility will be perpetual with no fixed maturity and may be callable at the option of the Bank after a period of five years, subject to prior approval from BNM. The expected returns generated from the Wakalah investments pursuant to the disbursement of the Facility are payable on a semi-annual basis (at the full discretion of the Bank at all times) at the rate of compounded overnight SOFR plus 137 basis points. The Facility has no step up features, or any other terms that may create an expectation that the option for prepayment will be exercised. The Facility meets the requirements of equity classification as per MFRS 132.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**28 Income Derived from Investment of Depositors' Funds and Others**

	<b>Third Quarter</b>		<b>Nine Months Ended</b>	
	<b>30 Sep 2022</b>	30 Sep 2021	<b>30 Sep 2022</b>	30 Sep 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Income derived from investment of:				
(i) Term deposit	<b>128,837</b>	84,603	<b>341,296</b>	277,516
(ii) Other deposits	<b>54,800</b>	38,890	<b>144,918</b>	131,258
	<b>183,637</b>	123,493	<b>486,214</b>	408,774
(i) Income derived from investment of term deposits				
<u>Finance income:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	<b>84,294</b>	72,790	<b>223,014</b>	222,619
- Recoveries from impaired financing	<b>3,978</b>	3,793	<b>15,980</b>	14,100
Financial investments at FVOCI	<b>5,226</b>	6,999	<b>18,974</b>	18,113
Money at call and deposit with financial institutions	<b>15,972</b>	6,286	<b>31,480</b>	20,852
Financial investments at amortised cost	<b>17</b>	-	<b>17</b>	-
	<b>109,487</b>	89,868	<b>289,465</b>	275,684
<u>Other operating income</u>				
Realised (loss)/gain from dealing in foreign currency	<b>(18,428)</b>	10,324	<b>(6,694)</b>	19,269
Unrealised gain/(loss) from dealing in foreign currency	<b>25,796</b>	(4,232)	<b>26,560</b>	1,532
Gain from sale of financial assets designated as FVTPL and other financial instruments	<b>320</b>	1,352	<b>1,652</b>	2,691
Unrealised loss from revaluation of financial assets at FVTPL	<b>(1,588)</b>	(4,117)	<b>(20,888)</b>	(5,471)
Realised gain/(loss) from trading in derivatives	<b>6,056</b>	(1,589)	<b>10,896</b>	374
Unrealised (loss)/gain from trading in derivatives	<b>(25,496)</b>	907	<b>(41,853)</b>	(1,566)
Net income/(expense) from financial liabilities designated at FVTPL	<b>32,690</b>	922	<b>82,158</b>	(7,346)
Gain on disposal of financial investments at FVOCI	-	-	-	1,181
Other expense	-	(8,832)	-	(8,832)
	<b>19,350</b>	(5,265)	<b>51,831</b>	1,832
	<b>128,837</b>	84,603	<b>341,296</b>	277,516
	<b>30 Sep 2022</b>	30 Sep 2021	<b>30 Sep 2022</b>	30 Sep 2021
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
(ii) Income derived from investment of other deposits				
<u>Finance income:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	<b>48,016</b>	33,788	<b>124,715</b>	102,578
- Recoveries from impaired financing	<b>2,301</b>	1,765	<b>8,937</b>	6,497
Financial investments at FVOCI	<b>3,010</b>	3,243	<b>10,611</b>	8,346
Money at call and deposit with financial institutions	<b>9,029</b>	2,921	<b>17,604</b>	9,609
Financial investments at amortised cost	<b>10</b>	-	<b>10</b>	-
	<b>62,366</b>	41,717	<b>161,877</b>	127,030

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**28 Income Derived from Investment of Depositors' Funds and Others (Cont'd)**

	Third Quarter		Nine Months Ended	
	30 Sep 2022 RM'000	30 Sep 2021 RM'000	30 Sep 2022 RM'000	30 Sep 2021 RM'000
(ii) Income derived from investment of other deposits (Cont'd)				
<u>Other operating income</u>				
Realised (loss)/gain from dealing in foreign currency	(10,231)	4,772	(3,743)	8,879
Unrealised gain/(loss) from dealing in foreign currency	14,431	(1,941)	14,853	706
Gain from sale of financial assets designated as FVTPL and other financial instruments	188	625	924	1,240
Unrealised loss from revaluation of financial assets at FVTPL	(1,010)	(1,899)	(11,681)	(2,521)
Realised gain/(loss) from trading in derivatives	3,418	(729)	6,094	172
Unrealised (loss)/gain from trading in derivatives	(14,362)	413	(23,406)	(722)
Gain on disposal of financial investments at FVOCI	-	2	-	544
Other expense	-	(4,070)	-	(4,070)
	<b>(7,566)</b>	<b>(2,827)</b>	<b>(16,959)</b>	<b>4,228</b>
	<b>54,800</b>	<b>38,890</b>	<b>144,918</b>	<b>131,258</b>

**29 Income Derived from Investment of Shareholder's Funds**

	Third Quarter		Nine Months Ended	
	30 Sep 2022 RM'000	30 Sep 2021 RM'000	30 Sep 2022 RM'000	30 Sep 2021 RM'000
<u>Finance income:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	15,702	12,998	42,022	40,543
- Recoveries from impaired financing	734	673	3,011	2,568
Financial investments at FVOCI	967	1,256	3,575	3,299
Money at call and deposit with financial institutions	2,990	1,120	5,932	3,798
Financial investments at amortised cost	3	-	3	-
	<b>20,396</b>	<b>16,047</b>	<b>54,543</b>	<b>50,208</b>
<u>Other operating income</u>				
Fee commission <sup>[1]</sup>	17,163	17,274	61,808	55,586
Realised (loss)/gain from dealing in foreign currency	(3,488)	1,864	(1,261)	3,509
Unrealised gain/(loss) from dealing in foreign currency	4,860	(781)	5,005	279
Gain from sale of financial assets designated as FVTPL and other financial instruments	58	244	311	490
Unrealised loss from revaluation of financial assets at FVTPL	(274)	(747)	(3,936)	(996)
Realised gain/(loss) from trading in derivatives	1,135	(293)	2,053	68
Unrealised (loss)/gain from trading in derivatives	(4,783)	170	(7,886)	(285)
Shared-service fees from holding company	288	177	853	765
(Loss)/Gain on disposal of financial investments at FVOCI	-	(2)	-	215
Other income/(expense)	222	(1,416)	296	(1,376)
	<b>15,181</b>	<b>16,490</b>	<b>57,243</b>	<b>58,255</b>
	<b>35,577</b>	<b>32,537</b>	<b>111,786</b>	<b>108,463</b>

<sup>[1]</sup> The above fees and commissions were derived from the following major contributors:

Service charges and fees	6,000	3,158	21,629	9,537
Credit cards	4,169	5,357	15,173	17,553
Credit facilities	3,186	2,596	9,175	7,842
Agency fee	3,172	6,355	10,614	16,734

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**30 Impairment (write-back)/provision**

	Third Quarter		Nine Months Ended	
	30 Sep 2022 RM'000	30 Sep 2021 RM'000	30 Sep 2022 RM'000	30 Sep 2021 RM'000
Net increase in allowance/provision	10,287	81,889	53,801	278,298
Recoveries	(14,561)	(11,031)	(44,081)	(42,321)
Written off	(337)	3	(480)	4
<b>Total (write-back from)/charge to statement of profit or loss</b>	<b>(4,611)</b>	<b>70,861</b>	<b>9,240</b>	<b>235,981</b>

Breakdown of the impairment allowance/provision is disclosed by financial instruments type are as follow:

**(i) Financing and advances**

Net increase in allowance	3,954	78,903	54,499	274,001
Recoveries	(14,561)	(11,031)	(44,081)	(42,321)
Written off	(337)	3	(480)	4
<b>Total (write-back from)/charge to statement of profit or loss</b>	<b>(10,944)</b>	<b>67,875</b>	<b>9,938</b>	<b>231,684</b>

**(ii) Money at call and interbank placements maturing within one month**

Net increase/(release) in allowance/provision	4	2	4	(4)
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**(iii) Financing commitments**

Net increase/(release) in allowance/provision	6,289	2,848	(587)	4,193
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**(iv) Financial investment at FVOCI**

Net increase/(release) in allowance/provision	40	136	(115)	108
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**31 Income Attributable to Depositors**

	Third Quarter		Nine Months Ended	
	30 Sep 2022 RM'000	30 Sep 2021 RM'000	30 Sep 2022 RM'000	30 Sep 2021 RM'000
<u>Non-Mudharabah Fund</u>				
- Deposits from customers	38,874	32,027	101,970	99,899
- Deposits and placements of banks and other financial institutions	8,488	3,252	15,606	9,854
- Lease liabilities	234	358	743	1,634
- Others	7,497	6,524	22,145	19,429
	<b>55,093</b>	<b>42,161</b>	<b>140,464</b>	<b>130,816</b>

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**32 Operating Expenses**

	Third Quarter		Nine Months Ended	
	30 Sep 2022 RM'000	30 Sep 2021 RM'000	30 Sep 2022 RM'000	30 Sep 2021 RM'000
Personnel expenses	<b>9,163</b>	13,428	<b>26,808</b>	34,905
Promotion and marketing related expenses	<b>1,412</b>	321	<b>4,684</b>	4,297
Establishment related expenses	<b>2,345</b>	4,014	<b>8,247</b>	12,093
General administrative expenses	<b>5,592</b>	5,447	<b>20,894</b>	20,221
Related company expenses	<b>39,019</b>	38,376	<b>117,131</b>	112,777
	<b>57,531</b>	61,586	<b>177,764</b>	184,293
Personnel expenses				
Salaries, allowances and bonuses	<b>7,523</b>	8,269	<b>21,371</b>	25,141
Employees Provident Fund contributions	<b>1,326</b>	1,417	<b>3,968</b>	4,432
Share based payment	<b>(108)</b>	36	<b>(132)</b>	(13)
Other staff related costs	<b>422</b>	3,706	<b>1,601</b>	5,345
	<b>9,163</b>	13,428	<b>26,808</b>	34,905
Establishment related expenses				
Depreciation of equipment	<b>557</b>	611	<b>1,673</b>	1,855
Depreciation of ROU assets	<b>1,477</b>	1,598	<b>4,522</b>	4,851
Information technology costs	<b>124</b>	971	<b>764</b>	2,487
Equipment written off	-	-	<b>72</b>	121
Utilities	<b>242</b>	204	<b>716</b>	892
Others	<b>(55)</b>	630	<b>500</b>	1,887
	<b>2,345</b>	4,014	<b>8,247</b>	12,093
Related company charges	<b>39,019</b>	38,376	<b>117,131</b>	112,777
Of which by:				
(i) Type of service				
- Information technology related cost	<b>8,186</b>	8,087	<b>23,650</b>	21,579
- Non information technology related cost	<b>30,833</b>	30,289	<b>93,481</b>	91,198
(ii) Country/territory				
- Malaysia	<b>38,785</b>	38,101	<b>116,531</b>	111,420
- Others	<b>234</b>	275	<b>600</b>	1,357

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**33 Capital Adequacy**

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
<b>Common Equity Tier 1 (CET1) capital</b>		
Paid-up ordinary share capital	<b>660,000</b>	660,000
Retained profits	<b>1,291,711</b>	1,307,774
Other reserves	<b>29,678</b>	40,307
Regulatory adjustments	<b>(91,931)</b>	(83,894)
Total CET1 capital	<b>1,889,458</b>	1,924,187
<b>Tier 1 capital</b>		
Additional Tier 1 capital	<b>501,063</b>	-
Total Tier 1 capital	<b>2,390,521</b>	1,924,187
<b>Tier 2 capital</b>		
Subordinated Commodity Murabahah financing	-	415,826
Impairment allowance (unimpaired portion) & regulatory reserves	<b>164,795</b>	145,252
Total Tier 2 capital	<b>164,795</b>	561,078
<b>Capital base</b>	<b>2,555,316</b>	2,485,265
<u>Before deducting proposed dividend</u>		
CET1 Capital Ratio	<b>13.122%</b>	15.172%
Tier 1 Capital Ratio	<b>16.601%</b>	15.172%
Total Capital Ratio	<b>17.746%</b>	19.596%
<u>After deducting proposed dividend</u>		
CET1 Capital Ratio	<b>13.122%</b>	15.172%
Tier 1 Capital Ratio	<b>16.601%</b>	15.172%
Total Capital Ratio	<b>17.746%</b>	19.596%

The total capital and capital adequacy ratios have been computed based on the Standardised Approach in accordance with the Bank Negara Malaysia (BNM)'s Guidelines on Capital Adequacy Framework for Islamic Banks (CAFIB). The Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

Pursuant to BNM's Guidelines on Capital Adequacy Framework for Islamic Banks (Capital Component) issued on 9 December 2020 (the Guidelines), the Bank elected to apply the transitional arrangements as specified in paragraph 39.

Under transitional arrangements, the expected credit loss (ECL) allowance measured at an amount equal to 12-month and lifetime ECL to the extent they are related to non-credit-impaired exposures (hereinafter referred to as Stage 1 and Stage 2 provisions), are allowed to be added back to CET-1, subject to a capping. The transitional arrangement commenced from financial year beginning 1 January 2020, with an add-back factor that will gradually reduce over the four-year transitional duration.

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**33 Capital Adequacy (Cont'd)**

As required by the Guideline, below is the disclosure on the capital ratios with comparison of:

- (i) the Capital Ratios, computed in accordance with the transitional arrangement
- (ii) the Capital Ratios, had the transitional arrangement not been applied.

Before/After deducting proposed dividend

	<b>With Transitional Arrangement</b>		Without Transitional Arrangement	
	<b>30 Sep 2022</b>	31 Dec 2021	<b>30 Sep 2022</b>	31 Dec 2021
	%	%	%	%
CET1 Capital Ratio	<b>13.122%</b>	15.172%	<b>13.099%</b>	15.085%
Tier 1 Capital Ratio	<b>16.601%</b>	15.172%	<b>16.579%</b>	15.085%
Total Capital Ratio	<b>17.746%</b>	19.596%	<b>17.723%</b>	19.509%

Breakdown of RWA in the various categories of risk weights:

	<b>30 Sep 2022</b>	31 Dec 2021
	<b>RM'000</b>	RM'000
Total RWA for credit risk	<b>13,183,589</b>	11,620,173
Total RWA for market risk	<b>186,855</b>	60,804
Total RWA for operational risk	<b>1,029,051</b>	1,001,279
	<b>14,399,495</b>	12,682,256

**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

**34 Commitments and Contingencies**

The table below shows the contracts or underlying principal amounts, positive fair value of derivative contracts, credit equivalent amounts and risk weighted amounts of unmatured off-balance sheet transactions at the statement of financial position date. The underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

These commitments and contingencies are not secured over the assets of the Bank.

<b>Principal amount</b>	<b>30 Sep 2022</b> <b>RM'000</b>	31 Dec 2021 RM'000
Direct credit substitutes	<b>25,459</b>	17,418
Transaction-related contingent items	<b>1,872,119</b>	1,701,750
Short-term self-liquidating trade-related contingencies	<b>339,789</b>	53,786
Formal standby facilities and credit lines		
- Maturity not exceeding one year	<b>1,774,199</b>	1,361,894
- Maturity exceeding one year	<b>3,956,808</b>	3,190,748
Other unconditionally cancellable	<b>2,993,831</b>	2,343,942
Unutilised credit card lines	<b>3,408,986</b>	3,458,687
Equity related contracts		
- Less than one year	<b>498,740</b>	243,376
- One year to less than five years	<b>1,209,351</b>	592,619
Profit rate related contracts		
- Less than one year	<b>757,690</b>	235,000
- One year to less than five years	<b>2,103,932</b>	1,372,261
Foreign exchange related contracts		
- Less than one year	<b>13,703,428</b>	12,703,771
- One year to less than five years	<b>159,213</b>	21,146
- Over five years	<b>165,223</b>	-
	<b>32,968,768</b>	27,296,398

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 35 Performance Review, Economy and Prospects

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#### Performance review

The Bank recorded a profit before tax of RM270.5 million for the financial period ended 30 September 2022, an increase of RM304.4 million year-on-year. This was mainly due to lower impairment provisions by RM226.7 million, higher operating income by RM71.1 million and lower operating expenses by RM6.5 million.

Total balance sheet as at 30 September 2022 stood at RM21.4 billion, an increase of RM2.0 billion compared to 31 December 2021 of RM19.4 billion. The Bank's capital and liquidity ratios remained strong and were well above the regulatory requirements.

#### Economy and Prospects

The global economy growth is slowing with further downward trend expected as many countries are likely to see their economies contract. The global economy continues to be impacted by multiple shocks - the prolonged military conflict in Ukraine, high energy and food prices, supply chain disruptions and persistent inflationary pressures, leading monetary authorities implementing rate hikes to combat inflation.

For Malaysia, core inflation rate hit a new high of 3.8% year-on-year (y-o-y) in August 2022 while headline inflation for the same month hit 4.7% y-o-y. BNM had also raised Overnight Policy Rate (OPR) by a further 25 basis points (bps) in September 2022 to 2.50%. This is the third consecutive hike so far this year, bringing the total increase in the OPR to 75 bps from a historic low of 1.75% since the pandemic in 2020. The Malaysian Ringgit, alongside with many major currencies around world, depreciated to its lowest in 24 years against the US dollars. There is also a widening spread between US and local interest rates. This year alone, the US Federal Reserve implemented five interest rate hikes thus far, with a total of 300 bps.

Nevertheless, Malaysia's economy remains resilient to weather the coming headwinds. For the 1H 2022, BNM reported GDP growth of 6.9% supported by strong exports and domestic demand. Despite the increased volatility in the global financial and foreign exchange markets, these developments are not expected to significantly derail Malaysia's growth within 2022, with BNM maintained its 2022 Malaysia GDP growth projection at 5.3% to 6.3% with actual figures expected to be in the upper end of the projected range. Indicators pointed towards continued growth, supported by private sector spending, improved labour market conditions and income prospects, activities from tourism-related sectors arising from reopening of international borders, and cross border economic activities prospects arising from the realisation of multi-year projects. The downside risks to the domestic economy continue to stem from a weaker-than-expected global growth, further escalation of geopolitical conflicts, and worsening supply chain disruptions.

Malaysia remains important to HSBC Group's strategy and is crucial to its growth plans across ASEAN. HSBC Malaysia continues to strategise its efforts to be the preferred international financial partner for its clients. This includes supporting the growing wealth needs of our customers and leveraging the reach and value of our global network for our corporate and institutional clients while also investing at scale domestically. We are also continuously investing in technology, inspiring a dynamic and inclusive culture and helping employees develop future-ready skills, and supporting clients to achieve their transition to net-zero.

HSBC Malaysia is accorded "Digital Bank of the Year" for two consecutive years and "Best Service Provider – Trade Finance" by The Asset Triple A. The Group has also been ranked as a Market Leader in the ESG, Diversity and Inclusion as well as CSR categories as part of Euromoney Market Leaders 2022.